Notes to the Financial Statements

For the year ended 31 March 2006

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is 45th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in property letting, property development, property management, environmental protection, commodities and securities brokerage, sewage treatment and water supply. The principal activities of its principal subsidiaries are set out in note 45.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2.1 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the financial statement is historical cost as modified for the revaluation of certain financial assets and financial liabilities at fair value through profit or loss, investment properties which are carried at fair value.

The preparation of the financial statements requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2.1 BASIS OF PREPARATION (continued)

In preparing the financial statements, the directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK$78,851,000 as at 31 March 2006. The Directors are taking active steps to improve the liquidity position of the Group as described below. The financial statements do not include any adjustments that would result from a failure of implementation of the measures noted below. If these measures were not to be successful or insufficient, or if the going concern basis were not to be appropriate, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The financial statements have been prepared on the assumption that the Group will continued to operate as going concern notwithstanding the conditions prevailing as at 31 March 2006 and subsequently thereto up to the date of approval of these financial statements. In order to improve the Group's financial position, immediate liquidity and cash flows, the Directors have adopted several financing measures together with other measures in progress at the date of this report which include, but are not limited to, the following:–

(i) On 26 May 2006, the Group has entered into a disposal agreement with an independent third party in respect of the disposal of the entire issued share capital of a subsidiary at an aggregate consideration of HK$48,100,000 which shall be satisfied in cash. Details were set out in the Company's circular dated 19 June 2006;

(ii) The Group is in the process of negotiation with a third party in respect of the disposal of certain subsidiaries of the Group which if agreed upon, shall constitute a very substantial cash inflow to the Group; and

(iii) Wealth Land Development Corp., a shareholder of the Company and a company beneficially owned by Mr. Zhang Yang, the Chairman and director of the Company agrees to provide continuing financial support to the Group.

As such, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

2.2 IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD

A summary of the new and revised HKFRSs which are adopted for the first time and are relevant to the Group's operation is set out as below:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HK(SIC)-Int 27	Evaluating the Substance of Transaction Involving the Legal Forms of a Lease
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

2.2 IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD (continued)

The adoption of new and revised HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 37, HK(SIC)-Ints 15, 27, HK-Ints 2, 3, 4 and HKFRS 5 did not result in substantial changes to the Group's accounting policies.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior years, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share tax attributable to associates.

(b) HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

(c) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of interests in leasehold land and land use rights from property, plant and equipment to operating leases and retrospective application is required. The up-front prepayments made for the interests in leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. A lease of land and building is split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in land element and the building element of the lease at the inception of the lease. The lease of land is stated at cost and amortised over the period of the lease whereas the building is stated at cost less accumulated depreciation. In prior years, interests in leasehold land and land use rights was classified under property, plant and equipment at cost and amortised over the terms of the leases except those classified as properties under development which was stated at cost less impairment.

2.2 IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD (continued)

(d) The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

(i) Equity securities

In prior years, listed equity securities held for trading purpose were disclosed as investments in securities and stated at market value with changes to such value accounted through profit or loss. Under HKAS 39, listed equity securities held for trading purpose are classified as financial assets at fair value through profit or loss and are continued to be stated at closing price with all realised and unrealised gains or losses to be recognised in the income statement. Prospective application is required for adoption of HKAS 39.

(ii) Convertible notes

Under HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using a market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to retained earnings). The issuance costs incurred for the arrangement of convertible notes were charged to the income statement in the year of issue. Retrospective application is required for adoption of HKAS 32.

(e) The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as gain or loss on revaluation of investment properties. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

(f) The adoption of revised HK(SIC)-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

2.2 IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD (continued)

(g) The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for positive goodwill and negative goodwill and prospective application is required. Until 31 March 2005:

(i) positive goodwill was capitalised and amortised on a straight line basis over its useful economic life of 10 years and was subject to impairment testing when there were indications of impairment; and

(ii) negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

Following the adoption of HKFRS 3, HKAS 36 and HKAS 38:

(i) the Group ceased amortisation of remaining goodwill from 1 April 2005;

(ii) accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of positive goodwill;

(iii) from the year ended 31 March 2006 onwards, positive goodwill is tested annually for impairment, as well as when there is indication of impairment; and

(iv) in accordance with the transitional provision in HKFRS 3, all negative goodwill was derecognised as at 1 April 2005 with a corresponding decrease in accumulated losses.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

(i) HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

(ii) HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

(iii) HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005;

2.2 IMPACT OF ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARD (continued)

(iv) HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1 April 2005, including the reclassification of any amount held in revaluation surplus for investment property; and

(v) HKFRS 3 – prospectively after 1 April 2005.

2.3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies as described above are as follows:

(a) Effect on the consolidated balance sheet:

At 1 April 2005

	Effect of adopting			
	HK(SIC) – Int 21	HKAS 17	HKAS 39	
Effect of new policies	Deferred tax arising from revaluation of investment properties	Interests in leasehold land and land use rights	Equity securities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Increase in interests in leasehold land and land use rights	–	75,857	–	75,857
Decrease in property, plant and equipment	–	(89,165)	–	(89,165)
Decrease in investments in securities	–	–	(154)	(154)
Increase in financial assets at fair value through profit or loss	–	–	154	154
				(13,308)
Liabilities/equity				
Decrease in minority interests	–	(1,222)	–	(1,222)
Increase in deferred tax liabilities	1,190	–	–	1,190
Increase in accumulated loss	(1,190)	(12,086)	–	(13,276)
				(13,308)

2.3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(a) Effect on the consolidated balance sheet: (continued)

At 31 March 2006

Effect of new policies	Effect of adopting HK(SIC)-Int 21 Deferred tax arising from revaluation of investment properties HK$'000	HKAS 17 Interests in leasehold land and land use rights HK$'000	HKAS 39 Equity securities HK$'000	Total HK$'000
Assets				
Increase in interests in leasehold land and land use rights	–	75,722	–	75,722
Decrease in property, plant and equipment	–	(90,880)	–	(90,880)
Decrease in investments in securities	–	–	(172)	(172)
Increase in financial assets at fair value through profit or loss	–	–	172	172
				(15,158)
Liabilities/equity				
Decrease in minority interests	–	(1,349)	–	(1,349)
Increase in deferred tax liabilities	1,607	–	–	1,607
Increase in accumulated loss	(1,607)	(13,809)	–	(15,416)
				(15,158)

2.3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(b) Effect on the balances of equity at 1 April 2004 and at 1 April 2005:

	Effect of adopting		
	HK(SIC)-Int 21 Deferred tax arising from revaluation of investment properties	HKAS 17 Interests in leasehold land and land use rights	Total
Effect of new policies			
At 1 April 2004	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in minority interests	–	(1,121)	(1,121)
Increase in accumulated loss	(1,190)	(10,623)	(11,813)
Decrease in total equity			(12,934)
At 1 April 2005			
Decrease in minority interests	–	(1,222)	(1,222)
Increase in accumulated loss	(1,190)	(12,086)	(13,276)
Decrease in total equity			(14,498)

2.3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005:

	Effect of adopting		
	HK(SIC)-Int 21 Deferred tax arising from revaluation of investment properties	HKAS 17 Interests in leasehold land and land use rights	
Effect of new policies			**Total**
Year ended 31 March 2006	*HK$'000*	*HK$'000*	*HK$'000*
Increase in amortisation and depreciation	–	1,595	1,595
Increase in deferred tax expenses	417	–	417
Increase in minority interests	–	(104)	(104)
Total increase in loss attributable to equity holders of the Company	417	1,491	1,908
Increase in basic and diluted losses per share *(cents)*	0.008	0.030	0.038
Year ended 31 March 2005			
Increase in amortisation and depreciation	–	1,565	1,565
Increase in minority interests	–	(102)	(102)
Total increase in loss attributable to equity holders of the Company	–	1,463	1,463
Increase in basic and diluted losses per share *(cents)*	–	0.032	0.032

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transaction
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosure
HK(IFRIC)-Int 4	Determining whether an Arrangement contain a Lease

The HKAS 1 (Amendment) shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosure about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated accounts, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit and loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated accounts as at 31 December 2005 and 2004.

HKAS 39 (Amendment) The Fair Value Option changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will comply this amendment from accounting periods beginning on 1 January 2006.

HKAS 39 and HKFRS 4 (Amendment) Financial Guarantee requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. The Company regards its financial guarantees provided to its subsidiaries as insurance contracts.

2.4 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD (continued)

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual period beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

(i) Subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any impairment losses) identified in acquisition.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition in so far as it has not already been amortised to the income statement, less any identified impairment loss. When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received or receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Revenue recognition

(i) Sale of properties

Revenue arising from the development of properties for sale are recognised upon the sale of properties or the issue of an occupation permit or a completion certificate by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under current liabilities.

(ii) Sale of land

Revenue arising from the sale of land are recognised upon the sale of land or the transfer of land use rights, whichever is the later.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(iii) Rental income

Rental income, including rentals invoiced in advance, from properties under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(iv) Commission and brokerage income

Commission and brokerage income are recognised on a trade date basis when the service is provided.

(v) Sewage treatment income

Revenue arising from sewage treatment is recognised based on actual sewage treated from meter readings or the amount billed in accordance with terms of contractual agreements where applicable during the year.

(vi) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment, other than properties under development and construction in progress, are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Properties under development are stated at cost, less any impairment loss. Cost includes land cost, construction cost, interest, finance charges and other direct costs attributable to the development of the properties. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Construction in progress is stated at cost, less any impairment loss. Cost includes construction cost, interest, finance charges and other direct cost attributable to the construction. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of property, plant and equipment, other than properties under development and construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following principal annual rates:

Buildings	Over the estimated useful lives of 50 years or over the terms of the leases, if less than 50 years
Leasehold improvement	Over the terms of the leases
Plant and machinery	5%-10%
Furniture and fixtures	15%
Equipment, motor vehicle and others	20%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Asset held under a finance lease is depreciated over its expected useful live on the same basis as owned assets.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated on an arm's length basis.

Investment properties are stated at their fair value at balance sheet date. Any gain or loss arising from a change in the fair value of the investment properties is recognised directly in the income statement. Gain or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement upon disposal.

The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the property being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in leasehold land and land use rights

Interests in leasehold land and land use rights represents prepaid lease payment made for leasehold land. Interests in leasehold land and land use rights are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of interests in leasehold land and land use rights are amortised on a straight-line basis over the shorter of the relevant interest in leasehold land or the operation period of the relevant company.

Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill in so far as it has not already been amortised to the income statement, less any identified impairment loss. When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised loss provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received or receivables during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on the acquisition of associates is included in the carrying amount of the associates. Goodwill arising on the acquisition of subsidiaries is presented as a separate intangible asset.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Provision

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

Other non-current assets

Other non-current assets are stated at cost, less any identified impairment losses.

Investments

Before adoption of the new and revised HKFRSs, the Group classified the investments in securities into non-trading securities and trading securities except for the investments in subsidiaries, associates and jointly control entities.

(i) Non-trading securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the securities was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

When there was objective evidence that individual investments were impaired the cumulative loss recorded in the investment revaluation reserve was dealt with to the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

(ii) Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sale proceeds and the carrying amounts, were recognised in the income statement in the period that arise.

From 1 April 2005 onward, the Group classifies its investment in the following categories depends on the purpose of such investment were acquired. Management determines the classification of its investments at initial recognition and re-evaluate this designation at every reporting date.

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables included loan receivables, convertible notes receivables and trade receivables.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period that arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development for sale

Properties under development for sale is stated at lower of cost and net realisable value, and is classified under current assets. Cost includes land cost, construction cost, interest, finance charges and other direct costs attributable to the development of the properties.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings. Progress billings not yet paid by the customer are included in the balance sheet under "trade and other receivables". Amount received before the related work is performed are included in balance sheet, as a liability, as "trade and other payables".

Assets held under finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability, net of interest charges, is included in the balance sheet as an finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease or contract so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease term.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition of the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity component in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the notes are converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes reserve is released directly to accumulated losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Retirement benefits costs

Payment to Mandatory Provident Fund Scheme and state-managed retirement plan are charged to the income statement as they fall due.

Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are controlled or under the significant influence or related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

(i) Market risk

(1) Foreign exchange risk

The Group operates mainly in both the People's Republic of China ("the PRC") and Hong Kong and majority of transactions are dominated in Renminbi and Hong Kong dollars. Therefore, the Group is exposed to foreign exchange risk arising from the exposure of Renminbi and US dollars against Hong Kong dollars.

(2) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss which are measured at fair value at each balance sheet date. The Group manages the price risk exposure by maintaining a portfolio of investments with different risk profiles.

(ii) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales and services are made to customers with an appropriate credit history. The exposures to these credit risks are monitored on an ongoing basis.

(iii) Liquidity risk

The Group manages its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

3. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

(iv) Cash flow and fair value interest rate risk

Long term borrowings at variable interest rates expose the Group to cash flow interest rate risk and those at fixed rates expose the Group to fair value interest rate risk. The Group monitors the interest rate risk exposure on a continuous basis and adjust the portfolio of borrowings where necessary.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy "Impairment of assets" as stated in note 2.5. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

Estimate of fair value of investment properties

As described in note 13, the investment properties were revalued at the balance sheet date on market value basis by reference to independent professional valuers. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions at each balance sheet date.

Impairment of properties under development

Included in the consolidated balance sheet at 31 March 2006 are properties under development with an aggregate carrying amount of HK$500 million. Management assessed the recoverability of these amounts based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development and a forecast of future sales. If the actual net realisable values of the underlying properties are more or less than expected as a result of changes in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Trade debtors

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the income statement. Changes in the collectibility of trade receivables for which provisions are not made could affect the results of operations.

Fair values of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the financial statements. The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the financial statements.

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four (2005: four) operating divisions, namely environmental protection and water treatment operation, city development and investment operation, property investment operation, securities and financial operation. These divisions are on the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Environmental protection and water treatment operation	– development of environmental protection and water treatment operation
City development and investment operation	– infrastructure construction for urbanisation operation and property development for sale
Property investment operation	– leasing of rental property
Securities and financial operation	– provision of financial services

5. SEGMENT INFORMATION (continued)

Business segments (continued)

The following table provides an analysis of the Group's sales by its business segments:

For the year ended 31 March 2006	Environmental protection and water treatment operation HK$'000	City development and investment operation HK$'000	Property investment operation HK$'000	Securities and financial operation HK$'000	Elimination HK$'000	Consolidated total HK$'000
TURNOVER						
External sales	58,268	66,779	3,724	5,969	–	134,740
Inter-segment sales	–	–	1,023	–	(1,023)	–
	58,268	66,779	4,747	5,969	(1,023)	134,740
SEGMENT RESULTS	(3,037)	(36,129)	2,571	(2,694)	–	(39,289)
Interest income and unallocated gains						421
Unallocated corporate expenses						(34,349)
Loss from operations						(73,217)
Finance costs						(26,135)
Share of results of associates						(9,473)
Gain on disposal of subsidiaries						237
Loss before taxation						(108,588)
Taxation						(937)
Loss for the year						(109,525)
Assets/liabilities						
Segment assets	263,767	907,177	107,866	27,940	–	1,306,750
Interests in associates	840	–	82,608	–	–	83,448
Unallocated corporate assets						27,197
Total assets						1,417,395
Segment liabilities	64,544	222,219	4,748	18,031	–	309,542
Unallocated corporate liabilities						398,858
Total liabilities						708,400
Other segment information						
Depreciation and amortisation	8,846	2,725	298	243	–	12,112
Unallocated amounts						709
						12,821
Capital expenditure	13,369	16,858	1,162	40	–	31,429
Unallocated amounts						1,846
						33,275
Impairment loss recognised in the income statement	–	17,738	–	–	–	17,738
Changes in fair value of investment properties	–	–	1,008	–	–	1,008

5. SEGMENT INFORMATION (continued)

Business segments (continued)

For the year ended 31 March 2005	Environmental protection and water treatment operation *HK$'000*	City development and investment operation *HK$'000* (Restated)	Property investment operation *HK$'000* (Restated)	Securities and financial operation *HK$'000*	Elimination *HK$'000*	Consolidated total *HK$'000* (Restated)
TURNOVER						
External sales	6,966	181,555	22,953	13,529	–	225,003
Inter-segment sales	–	–	1,023	–	(1,023)	–
	6,966	181,555	23,976	13,529	(1,023)	225,003
SEGMENT RESULTS	(13,010)	(19,924)	27,460	(1,888)	–	(7,362)
Interest income and unallocated gains						183
Unallocated corporate expenses						(30,731)
Loss from operations						(37,910)
Finance costs						(34,491)
Loss before taxation						(72,401)
Taxation						(100)
Loss for the year						(72,501)
Assets/liabilities						
Segment assets	270,455	898,257	425,661	52,209	–	1,646,582
Interests in associates	943	–	–	–	–	943
Unallocated corporate assets						12,766
Total assets						1,660,291
Segment liabilities	98,905	191,419	4,174	38,225	–	332,723
Unallocated corporate liabilities						611,675
Total liabilities						944,398
Other segment information						
Depreciation and amortisation	4,269	3,010	1,115	283	–	8,677
Unallocated amounts						2,790
						11,467
Capital expenditure	53,528	167,823	483	16	–	221,850
Unallocated amounts						404
						222,254
Addition of investment properties	–	–	31,888	–	–	31,888
Goodwill amortisation	–	332	–	–	–	332
Changes in fair value of investment properties	–	–	10,566	–	–	10,566

5. SEGMENT INFORMATION (continued)

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China other than Hong Kong (the "PRC").

The following table provides an analysis of the Group's sales by location of markets, irrespective of the origin of the goods/services:

	Hong Kong		The PRC		Consolidated total	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)		(Restated)
Turnover	6,419	16,211	128,321	208,792	134,740	225,003
Segment results	(3,666)	(7,005)	(35,623)	(357)	(39,289)	(7,362)
Interest income					421	183
Unallocated corporate expenses					(34,349)	(30,731)
Loss from operations					(73,217)	(37,910)

The following is an analysis of the carrying amounts of segment assets, and additions to property, plant and equipment, investment properties and intangible assets, analysed by the geographical area in which the assets are located:

	Hong Kong		The PRC		Consolidated total	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)		(Restated)
Carrying amounts of segment assets	194,741	84,087	1,222,654	1,576,204	1,417,395	1,660,291
Additions to property, plant and equipment, investment properties, and intangible assets	1,431	12,596	31,844	241,546	33,275	254,142

6. TURNOVER

Turnover represents the amount received and receivable for sale of properties, sale of land, property rental, management fee, commission income generated from securities and commodities broking, interest income from margin clients, and sewage treatment business for the year, and is analysed as follows:

	2006 HK$'000	2005 HK$'000
Sale of properties	35,836	181,555
Sale of land	66,779	–
Property rental and management fee	3,724	22,953
Brokerage commission income	5,263	8,254
Interest income from margin clients	706	5,275
Sewage treatment income	22,432	6,966
	134,740	225,003

7. OTHER OPERATING INCOME

	2006 HK$'000	2005 HK$'000
Dividend income	5	3
Gain on sales of cash coupon	58	–
Water damage insurance claim	8	–
Sundry income	552	1,810
	623	1,813

8. STAFF COSTS

	2006 HK$'000	2005 HK$'000
Salaries and allowances (including directors' remuneration)	30,455	30,250
Retirement benefit scheme contributions	1,824	1,327
	32,279	31,577

8. STAFF COSTS (continued)

(a) Directors' emoluments

The aggregate amount of emoluments payable to the directors of the Company during the year was HK$11,066,000 (2005: HK$12,375,000).

The remuneration of every director for the year ended 31 March 2006 and 31 March 2005 is shown as below:

Name of directors	Directors' fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Total	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Executive directors								
Zhang Yang	200	200	3,900	3,900	120	120	4,220	4,220
Chan Wing Yuen, Hubert	200	200	2,455	3,266	66	12	2,721	3,478
Lam Cheung Shing, Richard	200	200	1,635	2,187	90	90	1,925	2,477
	600	600	7,990	9,353	276	222	8,866	10,175
Non-executive director								
Hui Ho Ming, Herbert	600	600	–	–	–	–	600	600
	1,200	1,200	7,990	9,353	276	222	9,466	10,775
Independent non-executive directors								
Lee Peng Fei, Allen	600	600	–	–	–	–	600	600
Wu Wai Chung, Michael	600	600	–	–	–	–	600	600
Wong Hon Sum	200	200	–	–	–	–	200	200
Ha Ping	200	200	–	–	–	–	200	200
	1,600	1,600	–	–	–	–	1,600	1,600
	2,800	2,800	7,990	9,353	276	222	11,066	12,375

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

8. STAFF COSTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2005: three) directors whose emoluments are reflected in note (a) above and amounted to HK$8,866,000 (2005: HK$10,175,000). The emoluments payable to the remaining two (2005: two) individuals during the year were as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	1,122	1,345
Retirement benefit scheme contributions	42	41
	1,164	1,386

The number of non-director, highest paid individuals whose remuneration fell within the following bands is as follows:

	2006	2005
Nil to HK$1,000,000	2	2

9. LOSS FROM OPERATIONS

	2006 HK$'000	2005 HK$'000 (Restated)
Loss from operations has been arrived at after charging (crediting):		
Depreciation		
– Owned assets	11,174	9,902
– Assets held under finance leases	52	–
Amortisation of leasehold land and land use rights	1,595	1,565
Amortisation of goodwill	–	332
	12,821	11,799
Gross rents from investment properties	(3,724)	(22,953)
Less: Outgoings	–	632
	(3,724)	(22,321)
Auditors' remuneration	750	926
Loss on disposal of property, plant and equipment	40	69
Operating lease rentals in respect of premises	5,528	5,853
Net foreign exchange loss	3,508	–

10. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interests on:		
Bank loans and overdrafts and other loans wholly repayable:		
within five years	9,037	16,313
over five years	9,636	3,893
Other borrowings	8,359	17,661
Interest on obligations under finance leases	12	10
Interest on convertible notes	282	–
	27,326	37,877
Less: Amounts capitalised	(1,191)	(3,386)
	26,135	34,491

11. TAXATION

	2006 HK$'000	2005 HK$'000
Current tax:		
Hong Kong	520	100
Provision for deferred tax liabilities	417	–
	937	100

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. TAXATION (continued)

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries in which the Company and majority of its subsidiaries are domiciled to the tax (expense) at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

The Group – Year ended 31 March 2006

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	63,893	–	44,695	–	108,588	–
Tax at the statutory tax rate	11,181	17.5	14,749	33	25,930	23.9
Tax effect of expenses not deductible for tax purpose	(1,765)	(2.8)	(5,661)	(12.7)	(7,426)	(6.8)
Tax effect of income not taxable for tax purpose	111	0.2	–	–	111	0.1
Tax effect of tax losses/deferred tax assets not recognised	(10,464)	(16.4)	(9,088)	(20.3)	(19,552)	(18.0)
Tax charge for the year	(937)	(1.5)	–	–	(937)	(0.8)

The Group – Year ended 31 March 2005

	Hong Kong		The PRC		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Loss before taxation	16,342	–	56,059	–	72,401	–
Tax at the statutory tax rate	2,860	17.5	18,499	33	21,359	29.5
Tax effect of expenses not deductible for tax purpose	(88)	(0.5)	(4,051)	(7.2)	(4,139)	(5.7)
Tax effect of income not taxable for tax purpose	6,308	38.6	365	0.7	6,673	9.2
Tax effect of tax losses/deferred tax assets not recognised	(9,209)	(56.4)	(15,190)	(27.2)	(24,399)	(33.7)
Utilisation of tax losses previously not recognised	29	0.2	377	0.7	406	0.6
Tax charge for the year	(100)	(0.6)	–	–	(100)	(0.1)

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Loss attributable to equity holders of the Company for the purpose of basic and diluted loss per share	**108,312**	70,656

Number of shares	2006	2005
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,000,348,290**	4,652,622,262

The computation of diluted loss per share did not assume the early conversion of the Company's convertible notes issued during the year ended 31 March 2006 since the assumption of the early conversion would reduce loss per share.

The computation of diluted loss per share did not assume the exercise of the Company's share options existed during the year ended 31 March 2005 since the exercise price of the Company's share options was higher than the average market price for shares of 2005.

13. INVESTMENT PROPERTIES

	THE GROUP	
	2006 *HK$'000*	2005 *HK$'000*
Valuation at 1 April 2005/2004	**394,325**	477,871
Exchange alignment	**267**	–
Additions	**–**	31,888
Revaluation surplus	**1,008**	10,566
Eliminated through disposal of a subsidiary	**(334,906)**	–
Disposal during the year	**–**	(126,000)
Valuation at 31 March	**60,694**	394,325

Investment properties were valued at their open market value at 31 March 2006 by Messrs. Savills Valuation and Professional Services Limited, an independent professional valuer and 北京寶信房地產評估諮詢有限責任公司, an independent PRC valuers. These valuations gave rise to a revaluation surplus of HK$1,008,000 (2005: HK$10,566,000) which the whole amount have been credited to income statement, in accordance of HKAS 40.

13. INVESTMENT PROPERTIES (continued)

The Group's investment properties at their net book values are analysed as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Investment properties in Hong Kong, held on:		
Long term leases	**12,300**	12,000
Investment properties outside Hong Kong, held on:		
Medium-term leases	**48,394**	382,325
	60,694	394,325

Investment properties with the carrying amount of approximately HK$60,694,000 (2005: HK$394,325,000) have been pledged to secure banking facilities granted to the Group.

The Group's investment properties, amounting to HK$54,900,000 (2005: HK$365,074,000) are rented out under operating leases.

14. INTERESTS IN LEASEHOLD LAND AND LAND USE RIGHTS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Cost		
Opening at 1 April 2005/2004		
As previously reported	–	–
Effect of adopting HKAS 17	89,165	89,165
As restated	89,165	89,165
Exchange alignment	1,715	–
At 31 March	90,880	89,165
Accumulated amortisation		
Opening at 1 April 2005/2004		
As previously reported	–	–
Effect of adopting HKAS 17	13,308	11,743
As restated	13,308	11,743
Exchange alignment	255	–
Charge for the year	1,595	1,565
At 31 March	15,158	13,308
Carrying amount		
At 31 March	75,722	75,857

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Land outside Hong Kong, held on:		
Long term leases	37,338	37,180
Medium-term leases	38,384	38,677
	75,722	75,857

At 31 March 2006, all of the Group's interests in leasehold land and land use rights with an aggregate net book value of approximately HK$75,722,000 (2005: restated HK$75,857,000) were pledged to secure banking facilities granted to the Group.

Interests in leasehold land and land use rights represent cost of acquiring rights to use certain land which are all located in the PRC over fixed periods. Cost of prepaid lease for land use rights is amortised on a straight-line basis over the unexpired period of rights.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Properties under development HK$'000 (Restated)	Construction in progress HK$'000 (Restated)	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Equipment, motor vehicle and others HK$'000	Plant and machinery HK$'000	Total HK$'000 (Restated)
Cost								
At 1 April 2004	312,291	202,327	4,233	4,054	10,718	19,341	–	552,964
Additions	166,040	9,795	–	–	1,328	1,805	43,286	222,254
Reclassification of construction in progress	–	(84,549)	–	–	–	–	84,549	–
Reclassification to properties under development for sale	(43,435)	–	–	–	–	–	–	(43,435)
Reclassification upon adoption of HKAS 17	(89,165)	–	–	–	–	–	–	(89,165)
Disposals	–	–	–	–	(496)	(487)	–	(983)
At 31 March 2005 and at 1 April 2005	345,731	127,573	4,233	4,054	11,550	20,659	127,835	641,635
Exchange alignment	6,650	1,969	81	78	139	480	2,404	11,801
Reclassification from properties under development for sale	128,868	–	–	–	–	–	–	128,868
Eliminated through disposal of subsidiaries	–	–	(4,314)	–	(5,065)	(1,087)	–	(10,466)
Additions	18,495	9,464	–	–	1,287	624	3,405	33,275
Disposals	–	–	–	–	(1)	(93)	(23,020)	(23,114)
At 31 March 2006	499,744	139,006	–	4,132	7,910	20,583	110,624	781,999
Accumulated depreciation								
At 1 April 2004	–	–	317	1,913	5,928	6,978	–	15,136
Charge for the year	–	–	191	1,205	1,264	3,910	3,332	9,902
Eliminated on disposals	–	–	–	–	(233)	(345)	–	(578)
At 31 March 2005 and at 1 April 2005	–	–	508	3,118	6,959	10,543	3,332	24,460
Exchange alignment	–	–	10	60	75	120	64	329
Eliminated through disposal of subsidiaries	–	–	(530)	–	(3,226)	(643)	–	(4,399)
Charge for the year	–	–	12	315	711	2,396	7,792	11,226
Eliminated on disposals	–	–	–	–	–	(30)	–	(30)
At 31 March 2006	–	–	–	3,493	4,519	12,386	11,188	31,586
Net book value								
At 31 March 2006	499,744	139,006	–	639	3,391	8,197	99,436	750,413
At 31 March 2005	345,731	127,573	3,725	936	4,591	10,116	124,503	617,175

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Equipment, motor vehicle and others HK$'000	Total HK$'000
Cost				
At 1 April 2004	1,852	378	3,536	5,766
Additions	–	–	13	13
At 31 March 2005 and at 1 April 2005	1,852	378	3,549	5,779
Exchange alignment	35	7	68	110
Additions	–	40	135	175
At 31 March 2006	1,887	425	3,752	6,064
Accumulated depreciation				
At 1 April 2004	753	126	1,170	2,049
Charge for the year	472	82	1,620	2,174
At 31 March 2005 and at 1 April 2005	1,225	208	2,790	4,223
Exchange alignment	23	4	54	81
Charge for the year	–	40	135	175
At 31 March 2006	1,248	252	2,979	4,479
Net book value				
At 31 March 2006	639	173	773	1,585
At 31 March 2005	627	170	759	1,556

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amounts of the properties under development and buildings comprises:

	Properties under development		Buildings	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
The Group				
Outside Hong Kong, held on:				
Long term leases	**276,474**	140,077	**–**	–
Medium-term leases	**223,270**	205,654	**–**	3,725
	499,744	345,731	**–**	3,725

During the year ended 31 March 2006, all of the Group's buildings were eliminated through disposal of subsidiaries. At 31 March 2005, all of the Group's buildings with an aggregate amount of HK$3,725,000 were pledged to secure banking facilities granted to the Group.

Properties under development of the Group are situated in the PRC. At 31 March 2006, properties under development of the Group included interest capitalised of HK$42,071,000 (2005: HK$42,071,000).

Construction in progress represents the construction work of a water supply plant and a sewage treatment plant. At 31 March 2006, construction in progress of the Group included interest capitalised of HK$3,003,000 (2005: HK$3,003,000).

At 31 March 2006, the net book value of equipment, motor vehicle and others includes an amount of HK$295,000 (2005: HK$347,000) in respect of assets held under finance leases.

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	453,906	453,906
Impairment loss recognised	(41,722)	(41,722)
	412,184	412,184

The amounts due from/to subsidiaries are unsecured, non-interest bearing and are repayable on demand. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Details of the Company's principal subsidiaries at 31 March 2006 are set out in note 45.

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Cost of investments, unlisted	962	943	1	–
Share of post-acquisition profits less losses	81,335	–	–	–
Amount due from an associate	1,151	–	68,704	–
	83,448	943	68,705	–

The amount due from an associate is unsecured, non-interest bearing and is repayable on demand. The carrying amount of the amount due from an associate approximates to its fair value.

Details of the principal associates at 31 March 2006 are set out in note 46.

17. INTERESTS IN ASSOCIATES (continued)

The summarised financial information in respect of the Group's associates is set out below:

	2006 *HK$'000*	2005 *HK$'000*
Turnover	5,005	–
Loss for the year	(23,379)	–
Loss attributable to the Group	(9,473)	–
Total assets	262,842	4,717
Total liabilities	(40,750)	–
Net assets	222,092	4,717
Net assets attributable to the Group	82,297	943

18. GOODWILL

	THE GROUP HK$'000
Cost	
At 1 April 2004 and 31 March 2005	22,142
Elimination of accumulated amortisation and impairment upon adoption of HKFRS 3	(19,296)
At 31 March 2006	2,846
Accumulated amortisation	
At 1 April 2004	18,964
Amortised for the year	332
At 31 March 2005	19,296
Eliminated against cost upon adoption of HKFRS 3	(19,296)
At 31 March 2006	–
Carrying amount	
At 31 March 2006	2,846
At 31 March 2005	2,846

In prior years, the amortisation period adopted for goodwill is 10 years.

Following the adoption of HKFRS 3 with effect from 1 January 2005, the Group no longer amortised goodwill. In accordance to the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date.

Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to a business as follows:–

	2006 HK$'000	2005 HK$'000
City development and investment operation	2,846	2,846

The directors reassessed the recoverable amount of goodwill as at 31 March 2006 by reference to the valuation as at 31 March 2006 performed by 上海房地產估價師事務所有限公司, an independent PRC valuer. The recoverable amount of the CGU determined by the valuers is based on the present value of the expected future revenue arising from sales of properties.

Key assumptions used for recoverable amount calculation:

Growth rate	3%
Discount rate	7%

The growth rate used is based on the management's expectation for the market development.

19. LOAN RECEIVABLE

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Non-current portion	–	5,600
Current portion	–	2,600
	–	8,200

The loan receivable is repayable by monthly instalments over five years. The first instalment payment was due on the first day of August 2003. The loan receivable is unsecured and non-interest bearing.

The loan receivable was fully repaid during the year. The debtor agreed the early repayment of the loan receivable at a discount of the loan principal.

20. OTHER NON-CURRENT ASSETS

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contribution to the compensation fund and fidelity fund with the Stock Exchange	197	200	–	–
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCCL")	100	100	–	–
Guarantee fund contributions to HKSCCL	100	486	–	–
Statutory deposits with HKFE Clearing Corporation Limited	1,500	1,500	–	–
Reserve fund with Hong Kong Clearing Corporation Limited	43	–	–	–
Club membership	526	542	380	380
	2,466	2,828	380	380

21. INVENTORIES

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Consumables	–	604

All consumables were carried at cost.

22. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Land cost	53,836	101,953
Development and construction costs	222,794	294,960
Finance costs	1,344	153
	277,974	397,066

The Group's properties under development for sale are situated in Changsha, the PRC.

At 31 March 2006, certain of the Group's properties under development for sale with a book value of approximately HK$148,302,000 (2005: restated HK$113,852,000) were pledged to secure bank loans.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days to its trade customers. The aged analysis of trade receivables of HK$26,893,000 (2005: HK$13,352,000) included in trade and other receivables and prepayments is as follows:

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
0-30 days	9,155	6,704	–	–
31-60 days	–	1,500	–	–
61-90 days	–	1,500	–	–
Over 90 days	17,738	3,648	–	–
	26,893	13,352	–	–
Margin clients accounts receivables	1,504	3,859	–	–
Clearing houses, brokers and dealers	961	17,948	–	–
Prepayments and deposits	49,826	41,514	10,079	5,569
Other receivables	79,389	15,100	66,770	–
	158,573	91,773	76,849	5,569
Less: Impairment of trade receivables	(17,738)	–	–	–
	140,835	91,773	76,849	5,569

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Loans to margin clients are secured by client's pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed, as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

The directors consider that the carrying amounts of the Group's and the Company's trade and other receivables and prepayments approximate to their fair values.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Held for trading:		
Listed equity securities – Hong Kong, at market value	172	154

25. BANK BALANCES – TRUST AND SEGREGATED ACCOUNTS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Segregated accounts	517	1,014
Trust accounts	4,760	7,610
	5,277	8,624

26. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	16,894	55,737	38	2,547

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

27. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables of HK$4,704,000 (2005: HK$12,540,000) included in trade and other payables and deposits received is as follows:

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables				
0-30 days	4,704	12,540	–	–
Accounts payable arising from the business of dealing in securities and equity options:				
Margin clients	8,043	13,585	–	–
Accounts payable to clients arising from the business of dealing in futures and options	1,432	8,648	–	–
Other payables and deposits received	285,351	304,670	14,254	5,594
	299,530	339,443	14,254	5,594

Amounts due to margin clients are repayable on demand. No aged analysis is disclosed, as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payables to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of futures and options. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of futures and options dealing.

Included in the other payables and deposits received are payables for construction works of approximately HK$56,300,000 (2005: HK$137,000,000) and deposits received for the pre-sale of properties approximately HK$95,818,000 (2005: HK$72,000,000).

The directors consider that the carrying amounts of the Group's and the Company's trade and other payables and deposits received approximate to their fair values.

28. AMOUNT DUE TO A RELATED COMPANY – THE GROUP AND THE COMPANY

The amount due to a related company is unsecured, interest bearing at Hong Kong Inter Bank Offered Rate plus 1.75% and repayable on demand.

The related company is wholly owned by Mr. Zhang Yang, a director of the Company.

29. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings, secured	301,328	292,189	–	–
Other borrowings:				
secured	65,203	165,680	–	–
unsecured	40,000	105,000	40,000	105,000
Total other borrowings	105,203	270,680	40,000	105,000
Total borrowings	406,531	562,869	40,000	105,000
The maturity profile is as follows:				
On demand or repayable within one year:				
bank borrowings	155,402	44,613	–	–
other borrowings	65,203	270,680	–	105,000
Portion classified as current liabilities	220,605	315,293	–	105,000
On demand or repayable in the second year:				
bank borrowings	18,102	103,414	–	–
other borrowings	40,000	–	40,000	–
	58,102	103,414	40,000	–
Bank borrowings repayable:				
in the third to fifth years, inclusive	59,531	59,338	–	–
after the fifth year	68,293	84,824	–	–
Portion classified as non-current liabilities	185,926	247,576	40,000	–
Total borrowings	406,531	562,869	40,000	105,000

29. BANK AND OTHER BORROWINGS (continued)

The other borrowings bear interest at rates ranging from 5.5% to 7.2% (2005: 4.8% to 7.2%) per annum.

All the bank borrowings are variable-rate borrowings, thus exposing the Group to interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is based on Hong Kong Inter Bank Offered Rate plus a specified margin. The effective interest rates on bank borrowings denominated in Renminbi range from 4.5% to 6.6% (2005: 4.5% to 6.6%) per annum.

The directors consider that the carrying amounts of the bank and other borrowings approximate to their fair values.

Secured bank borrowings comprise term loans and mortgage loans which bear interest at commercial rates. The term loans are secured by the property, plant and machinery, properties under development for sale, interests in leasehold land and land use rights and buildings held by the Group with carrying values of approximately HK$368,084,000 (2005: restated HK$392,266,000), HK$148,302,000 (2005: restated HK$113,852,000), HK$37,338,000 (2005: restated HK$37,179,000) and nil value (2005: HK$3,725,000) respectively. The mortgage loans are secured by the Group's investment properties in both the PRC and Hong Kong with carrying values of approximately HK$60,694,000 (2005: HK$394,325,000). The term loans are repayable on agreed repayment schedule and the mortgage loans are repayable in instalments over a period of 1 to 20 years.

Secured other borrowings bear interest at market rates and are repayable on demand. The secured other borrowings are secured by interests in leasehold land and land use rights and property under development in Shanghai with carrying values of approximately HK$38,384,000 (2005: restated HK$38,678,000) and HK$223,271,000 (2005: restated HK$205,561,000) respectively.

The Group's borrowings are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	**73,074**	140,574	**40,000**	105,000
Renminbi	**333,457**	422,295	**–**	–
Total	**406,531**	562,869	**40,000**	105,000

30. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Amounts payable under finance leases:				
within one year	77	76	67	64
in the second to fifth years, inclusive	223	300	210	277
	300	376	277	341
Less: Future finance charges	(23)	(35)	–	–
Present value of finance leases	277	341	277	341
Less: Amount due for settlement within one year			(67)	(64)
Amount due for settlement after one year			210	277

It is the Group's policy to lease certain of its equipment and motor vehicles under finance leases. The average lease term is 3 to 5 years. Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

31. CONVERTIBLE NOTES

On 14 October 2005, the Group entered into the subscription agreements with the subscribers, pursuant to which the Company agreed to issue and the subscribers agreed to subscribe for the convertible notes in an aggregate principal amount of HK$90,000,000. The convertible notes are convertible into shares at the conversion price, which is equal to HK$0.10 per share.

On 7 November 2005, the Group completed the issue of the convertible notes. On 9 November 2005, 1 December 2005 and 16 December 2005, the Company's convertible notes holders converted their convertible notes with principal amounts of HK$44,000,000, HK$23,000,000 and HK$23,000,000 respectively into shares at the conversion price. 900,000,000 ordinary shares fell to be issued upon the conversion of the convertible notes.

32. SHARE CAPITAL

	Number of shares		Nominal value	
	2006	2005	2006	2005
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	10,000,000,000	10,000,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning of the year	4,684,923,632	4,594,923,632	468,492	459,492
Exercise of share options *(Note a)*	–	90,000,000	–	9,000
Conversion of convertible notes *(Note b)*	900,000,000	–	90,000	–
At end of the year	5,584,923,632	4,684,923,632	558,492	468,492

All shares issued by the Company rank pari passu with the then existing shares in all respects.

Notes:

(a) On 9 August 2004, the Company's sole option holder exercised his option rights to subscribe for an aggregate of 90,000,000 shares at an exercise price of HK$0.161 per share in an aggregate amount of approximately HK$9,000,000.

(b) On 9 November 2005, 1 December 2005 and 16 December 2005, the Company's convertible notes holders converted their convertible notes with principal amounts of HK$44,000,000, HK$23,000,000 and HK$23,000,000 respectively into shares at the conversion price, which is equal to HK$0.10 per share. 900,000,000 ordinary shares fell to be issued upon the conversion of the convertible notes.

33. SHARE PREMIUM AND RESERVES

	Share Premium HK$'000	Convertible notes reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
The Company				
At 1 April 2004	276,969	–	1,646	278,615
Exercise of share option	5,490	–	–	5,490
Loss for the year	–	–	(291,585)	(291,585)
At 31 March 2005	282,459	–	(289,939)	(7,480)
Issue of convertible notes	–	6,354	–	6,354
Conversion of convertible notes	282	(6,354)	–	(6,072)
Profit for the year	–	–	89,347	89,347
At 31 March 2006	282,741	–	(200,592)	82,149

The Company did not have any reserves available for distribution to shareholders at 31 March 2006.

34. DEFERRED TAX LIABILITIES

The Group

The followings are the major deferred tax liabilities and assets recognised by the Group and movements thereon:

	Accelerated tax depreciation HK$'000	Estimated tax losses HK$'000	Total HK$'000
At 1 April 2004 and 31 March 2005 (restated)	1,190	–	1,190
Charge to income statement	417	–	417
At 31 March 2006	1,607	–	1,607

At 31 March 2006, the Group had unused estimated tax losses of approximately HK$462,340,000 (2005: HK$373,314,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

34. DEFERRED TAXATION LIABILITIES (continued)

The Company

No deferred tax asset has been recognised in respect of estimated tax losses of approximately HK$311,341,000 (2005: HK$289,939,000) due to the unpredictability of future profit streams.

35. SHARE OPTIONS

Details of the share option schemes adopted by the Group are as follows:

(a) Old Share Option Scheme

The share option scheme of the Company (the "Old Share Option Scheme") that was adopted on 25 July 2000 was terminated on 2 September 2002 and was substituted by a new option scheme. Upon the termination of the Old Share Option Scheme, no further options will be granted thereunder but in all other respects, the provisions of the Old Share Option Scheme shall remain in force and all options which have been granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

No option under the Old Share Option Scheme remained outstanding at 31 March 2006 and 31 March 2005. No option had been granted under the Old Share Option Scheme during the year ended 31 March 2006 and 31 March 2005.

The following table discloses details of the Company's options under the Old Share Option Scheme held by employees (including directors) and movement in such holdings during the year ended 31 March 2005:

Exercise price per share *HK$*	Exercisable period	Date of share options granted	Balance at 1.4.2004	Exercised during the year	Lapsed during the year	Balance at 31.3.2005
0.161	1 April 2001 to 31 March 2005	29 March 2001	109,000,000	90,000,000	19,000,000	–

Options granted under the Company's share option schemes should be accepted within the specified time limit in accordance with the share option offer letter dispatched to the eligible employees from the date of grant.

35. SHARE OPTIONS (continued)

(b) New Share Option Scheme

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), terminated the Old Share Option Scheme and adopted a new share option scheme (the "New Share Option Scheme"), as approved by the shareholders of the Company at the annual general meeting held on 2 September 2002.

The New Share Option Scheme permits the Company to grant options to a wider category of participants as defined in the Company's circular issued on 30 July 2002 (the "Participants"), and not just the eligible grantees as under the Old Share Option Scheme (the "Eligible Grantees"). Under the rules of the New Share Option Scheme, the Board has discretion to set a minimum period for which an option has to be held before the exercise of the subscription rights attaching thereto. This discretion allows the Board to provide incentive to a Participant during such period. This discretion, couple with the power of the Board to impose any performance target as it considers appropriate before any option can be exercised, enable the Group to provide incentives to the Participants to use their best endeavours in assisting the growth and development of the Group. Although the New Share Option Scheme does not provide for the granting of options with right to subscribe for the shares of the Company ("Shares") at a discount to trading price of the Shares on the Stock Exchange, the directors are of the view that the flexibility given to the Board in granting options to Participants, other than the Eligible Grantees and to impose minimum period for which the options have to be held and performance targets that have to be achieved before the options can be exercised, will place the Group in a better position to attract human resources that are valuable to the growth and development of the Group as a whole, than the Old Share Option Scheme.

The subscription price for Shares under the New Share Option Scheme shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue (the "Individual Limited"). Any further grant of options in excess of the Individual Limited in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such Participant and his associates abstaining from voting.

No option has been granted under the New Share Option Scheme since its inception.

36. DISPOSAL OF SUBSIDIARIES

The net assets of the wholly owned subsidiaries at the date of disposal were as follows:

	2006 *HK$'000*	2005 *HK$'000*
Investment properties	334,906	–
Property, plant and equipment	6,016	–
Inventories	604	–
Trade receivables	9,742	–
Deposits, prepayments and other debtors	1,180	–
Cash and bank balances	5,767	–
Other creditors and accruals	(18,783)	–
Amount due to ultimate holding company	(5,973)	–
Bank loans	(105,521)	–
Net assets disposed of	227,938	–
Less: remaining share of net assets held by the Group as associated companies	(91,175)	–
	136,763	–
Gain on disposal	237	–
Total consideration	137,000	–
Less: Cash and bank balances of disposed subsidiaries	(5,767)	–
Net cash flow from disposals of subsidiaries	131,233	–
Satisfied by:		
Cash	137,000	–

On 23 April 2005, the Company entered into the disposal agreement in relation to the disposal of 60% interests in Money Capture Investments Limited (a wholly-owned subsidiary of the Group) and its principal asset is its interests in the Property, which is held as investment properties by Equal Smart Profits Limited (a wholly-owned subsidiary of Money Capture Investments Limited), at an aggregate consideration of HK$137,000,000, which shall be satisfied by the third party in cash.

During the year ended 31 March 2005, there is no acquisition or disposal of subsidiaries.

The subsidiaries disposed of during the year did not make any significant contribution to the results and cash flows of the Group.

37. CONTINGENT LIABILITIES

The Group provides a guarantee of RMB5,000,000 to Ma'anshan Municipal Government, the PRC, for the commitment to invest in the sewage treatment project in Ma'anshan, details as per announcement dated 21 May 2004.

At 31 March 2006, the Company had given unconditional guarantee to a bank to secure banking facilities available to a subsidiary to the extent of approximately HK$29,300,000.

38. BANKING FACILITIES

The bank overdrafts facilities are secured by marketable securities held by the Group on behalf of clients with their consent.

39. CAPITAL COMMITMENTS

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– acquisition of property, plant and equipment and properties under development for sale	**512,054**	468,241

40. COMMITMENTS

(a) At 31 March 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Group's guarantee lease arrangement for the pre-sale properties. The lease commitment of the Group will be as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**13,097**	16,086
In the second to fifth year inclusive	**44,124**	85,793
After five years	**31,008**	85,309
	88,229	187,188

Leases are negotiated for an average term of eight to ten years.

40. COMMITMENTS (continued)

(b) At 31 March 2006, the Group has written certain repurchase options for the pre-sale properties to the property buyers. The options give the right to the property buyers that they can request the Group to buy back the properties at 100% of the original property sales price on the option exercise date. The exercise date of the options is six years after the completion date of the sale and purchase agreements of the properties with the total contract sum of approximately HK$127,460,000 (2005: HK$131,163,000).

41. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**3,479**	4,610
In the second to fifth year inclusive	**5,565**	7,590
After five years	**8,043**	8,531
	17,087	20,731

Operating lease payments represent rentals payable by the Group for certain of its office properties and land use rights in the PRC. Leases for the office properties are negotiated for an average term of three years. Lease for land use rights in the PRC is negotiated for 20 years.

41. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor

Property rental income earned during the year was HK$3,724,000 (2005: HK$22,953,000). Some of the properties held have committed tenants for one to two years.

At 31 March 2006, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**1,921**	1,025
In the second to fifth year inclusive	**315**	224
	2,236	1,249

During the year, the Group disposed of investment properties, including the rights of the lease, with a carrying amount of HK$334,906,000 through disposal of 60% interests in 3 wholly-owned subsidiaries. The aforesaid investment properties did not have any related future minimum lease payments as at 31 March 2005.

42. RETIREMENT BENEFITS SCHEMES

(a) The Group operates Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. The MPF Scheme comprises statutory and voluntary contribution. The Company contributes 5% of eligible employees' relevant aggregate income. No forfeited contributions (2005: HK$222,000) are used to reduce the contributions for the year ended 31 March 2006. The contributions are charged to income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrative fund. The Group's employer contributions vest ranging from 30% to 100% with the employees according to the years of employment except those employer contributions which are under the statutory requirement.

(b) The employees of subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

43. MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into the following material transactions with related parties during the year:

(i) Transactions with related parties

(a) The Group paid interest amounting to HK$167,000 (2005: HK$139,700) to a director of the Company's subsidiary.

(b) The Group paid interest amounting to HK$2,928,000 (2005: HK$759,000) to a related company of the Company.

(c) The Group received rental income approximately HK$450,000 (2005: Nil) from a director of the Company.

(ii) Compensation of key management personnel

Compensation for key management personnel, including amount paid to the Company's directors and the senior executives is as follows:–

	2006 *HK$'000*	2005 *HK$'000*
Salaries and other short-term benefits	**11,912**	13,498
Pension scheme contributions	**318**	263
	12,230	13,761

Further details of directors' emoluments are included in note 8 to the financial statements.

44. MAJOR NON-CASH TRANSACTIONS

Included in property, plant and equipment as at 31 March 2006 was an amount of approximately HK$128,868,000 representing a transfer from properties under development for sale during the year ended 31 March 2006.

For the year ended 31 March 2005, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$347,000.

Included in properties under development for sale as at 31 March 2005 was an amount of approximately HK$43,435,000 representing a transfer from property, plant and equipment during the year ended 31 March 2005.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

	Name of subsidiary	Place of incorporation/ registration and operation	Class of share held	Paid-up issued ordinary share/ registered capital* HK$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
	Action Investments Limited	Hong Kong	Ordinary	100	100	–	Property letting
	Burlingame International Company Limited	Hong Kong	Ordinary	425,019,668	100	–	Investment holding
	Interchina City Development & Investment Limited	The British Virgin Islands ("BVI")	Ordinary	US$10,000	100	–	Investment holding
	Interchina Corporate Services Limited	Hong Kong	Ordinary	10,000	100	–	Management
!	Interchina Aihua (Tianjin) Municipal & Environmental Engineering Company Ltd.	PRC	–	*RMB250,000,000	93	–	Environmental protection
@	Interchina (Changsha) Investment & Management Company Limited	PRC	–	*US$18,080,000	100	–	Property development
!	長沙國中星城置業有限公司	PRC	–	*RMB90,000,000	38.89	61.11	Property development
!	漢中市石門城市供水有限公司	PRC	–	*RMB50,000,000	–	74.4	Water supply
	Interchina Futures Limited	Hong Kong	Ordinary	8,500,000	30	70	Commodities brokerage
	Interchina Securities Limited	Hong Kong	Ordinary	300,000,000	5	95	Securities brokerage
	Best Plain Trading Limited	Hong Kong	Ordinary	310,000,000	–	100	Property letting
	Burlingame (Shanghai) Investment Limited	Hong Kong	Ordinary	119,152,722	–	100	Investment holding

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Class of share held	Paid-up issued ordinary share/ registered capital* HK$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
Interchina Environmental Protection Company Ltd.	BVI	Ordinary	US$1	–	100	Investment holding
@ Interchina (Qinhuangdao) Sewage Treatment Company Limited	PRC	–	*US$4,091,003	–	93	Sewage treatment
Interchina Water Treatment Limited	BVI	Ordinary	US$10,000	–	93	Investment holding
! Shanghai Hung Tai Real Estate Company Limited	PRC	–	*US$12,000,000	–	90	Property development
@ 西安國中星城置業有限公司	PRC	–	*US$26,000,000	–	100	Property development
Interchina Property Agency Limited	Hong Kong	Ordinary	10,000	–	100	Real estate agency
@ 國水(昌黎)污水處理有限公司	PRC	–	*RMB26,000,000	–	93	Sewage treatment
@ 國水(馬鞍山)污水處理有限公司	PRC	–	*36,000,000	–	93	Sewage treatment
@ 湖南泛星國際企業管理有限公司	PRC	–	*RMB20,000,000	–	100	Property management

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

! Sino foreign equity joint venture
@ Wholly-owned foreign enterprise

46. PARTICULARS OF PRINCIPAL ASSOCIATES

The following table lists the associates of the Group which, in the opinion of the directors, principally affected the results and assets of the Group. To give details of other associates would, in the opinion of directors, result in particulars of excessive length.

Name of associate	Place of incorporation/ registration and operation	Class of share held	Paid-up issued ordinary share/ registered capital* HK$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
Money Capture Investments Limited	The British Virgin Islands	Ordinary	US$1	40	–	Investment holding
天津水與燃氣信息技術開發有限公司	PRC	–	RMB5,000,000	–	18.6	Environmental services

None of the associates had any debt securities outstanding at the end of the year or at any time during the year.

47. SUBSEQUENT EVENTS

On 26 May 2006, China Field Investments Limited (a wholly-owned subsidiary of the Company) entered into the disposal agreement with an independent third party ("the purchaser") in relation to the disposal of the entire issued share capital of New Experience Investments Limited (a wholly-owned subsidiary of the Company) and the shareholder's loan amounting to HK$20,750,000 due and owing by New Experience Investments Limited to China Field Investments Limited at an aggregate consideration of HK$48,100,000, which shall be satisfied by the purchaser in cash.

48. COMPARATIVE FIGURES

Following the adoption of new HKASs and HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 July 2006.